Cross-Cutting Management Issues

Construction Costs Trends

WSDOT prepares its construction cost estimates using historical information about market conditions drawn from recent bids. Like other state transportation departments, WSDOT must extrapolate for the future based on past records, not from a crystal ball of future market conditions. WSDOT accumulates construction cost information into a Construction Cost Index (CCI) and compares that information against the experience of other states. WSDOT's Construction Cost Index is a composite of unit price information from low bids on seven of the most commonly used construction materials. These items reflect a composite cost for a completed item of work and include the costs of labor, equipment and materials. (See the gray box to the right for more information).

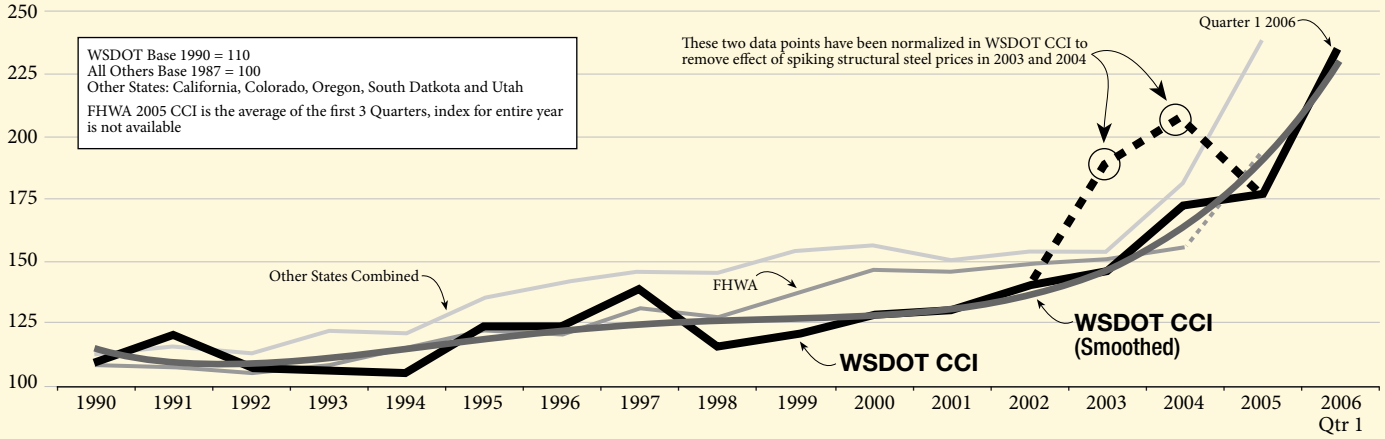
The graph below presents the past 16 years of CCI data for Washington State. This is plotted against the CCI of the Federal Highway Administration (FHWA), as well as a line representing the combined CCIs of several nearby states: California, Colorado, Oregon, South Dakota and Utah.

The following components (weighted as shown) are used to compute the CCI:

Concrete Pavement (3.2%)	Steel Reinforcing Bar (5.4%)
Crushed Surfacing (7.9%)	Structural Steel (6.9%)
Roadway Excavation (10.7%)	Hot Mix Asphalt (48.5%)
Structural Concrete (17.4%)	

For more information on what these materials are, see page 45 of the September 30, 2005 *Gray Notebook*.

Construction Cost Indices Washington State and Others



Source: WSDOT Construction Office

Construction Cost Index is up 33% for the First Quarter of 2006

WSDOT's construction cost index (CCI) has increased 33% in the first quarter of 2006 over the annual average for 2005, from 176 to 234. Of the seven materials WSDOT tracks in the CCI, Hot Mix Asphalt (HMA) comprises the majority, or 48.5%, of the index. Currently, HMA prices are up due to the rise in the cost of petroleum products. Hot Mix Asphalt costs are closely tied to oil costs: the asphalt used in HMA is made from crude oil, the machines that process the HMA run on oil and gas, and the trucks that haul and deliver the HMA require diesel.

But HMA alone does not account for the rise in the CCI, structural concrete showed an increase of 38% this quarter. The agreement this month between Mexico and the United States, wherein a duty cost of $3 per metric ton replaces the previous duty cost of $26 per metric ton, may help balance out the cost of cement over the course of 2006.